



# PROPOSED MISSOURI PERSONAL FINANCE STANDARDS

Submitted to  
Missouri State Board  
of Education

June 5, 2017

Patricia A. Palmer, Chair  
*on behalf of the*  
Personal Finance Workgroup

## Proposed Personal Finance Standards for Missouri

June 2017

| <b>Standard 1: Financial Decision Making</b> |   |
|--|---|
|  | Choice is the central principle of financial decision making for individuals, businesses and government. People make many choices every day in markets where buyers and sellers interact. This interaction determines market prices and allocates scarce goods and services based on supply and demand. Every decision incurs an opportunity cost. Opportunity cost is the next-best alternative when a decision is made; it is what is given up.   |
| Strand A<br>or 1.1                           | Unlimited Wants and Limited Resources   |
|  | A. Evaluate the role of choice in decision making.  |
|  | B. Apply a rational decision making process to satisfy wants.   |
| Strand B<br>or 1.2                           | Choice and Decision Making  |
|  | A. Recognize that today's choices have consequences in the future.  |
|  | B. Demonstrate that making a choice results in an Opportunity Cost.   |
|  | C. Interpret the unintended consequences that result from choices made.   |
| <b>Standard II. Career Pathways</b>          |   |
|  | Income for most people is determined by their work ethic and the market value of their labor paid as wages and salaries. People can increase their income and job opportunities by performing well and choosing to acquire more education, work experience, and job skills. The decision to undertake an activity that increases income or job opportunities is affected by the expected benefits and costs of such an activity. Income also is obtained from other sources such as interest, rents, capital gains, dividends, and profits. |
| Strand A<br>or 2.1                           | A. Evaluate how career choices impact income and quality of life.   |

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|--------------------|---|
|                    | B. Analyze the relationship between education/skill development and earning potential.  |
|                    | C. Recognize that wages or salaries are determined in the labor markets.  |
|                    | D. Recognize that economic conditions or changes in labor markets can cause changes in a worker's income or may cause unemployment.   |
|                    | E. Explain that entrepreneurs recognize problems that provide opportunities for creating new or innovative goods or services.   |
| Strand B<br>or 2.2 | Forms of Compensation   |
|                    | A. Examine how workers are paid (wages, salaries or commissions)  |
|                    | B. Analyze benefits such as health insurance, paid vacation, etc. as a form of compensation.  |
|                    | C. Identify sources for deriving income outside wages and salaries for example rent, interest, gifts, dividends, profits, capital gains.                                      |
| Strand C<br>or 2.3 | Taxes and Other Deductions  |
|                    | A. Compare the difference between gross and net income.   |
|                    | B. Recognize standard deductions – income taxes, social security (FICA), Medicare and other deductions such as those for health care, retirement savings, (401K, 403b, etc.). |
|                    | C. Explain that taxes provide public goods and services.  |

| <b>Standard III. Buying Goods and Services</b> |  |
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|  | People cannot buy or make all the goods and services they want; as a result, people choose to buy some goods and services and not buy others. People can improve their economic well-being by making informed spending decisions, which entails collecting information, planning, and budgeting. |
| Strand A<br>or 3.1                             | Create a Budget  |
|  | A. List income and expenses.   |
|  | B. Analyze spending habits to recognize current spending and saving trends.  |
|  | C. Create a budget including savings goals, emergency funds, fixed and variable expenses.  |
|  | D. Recognize charitable giving as a budget item which may have tax benefits.   |
|  | E. Prioritize expenses and payment due dates.  |
| Strand B<br>or 3.2                             | Purchasing Items of High Value   |
|  | A. Conduct research on product options to plan future purchases ex. phone, car, laptop, vacation, etc.   |
|  | B. Evaluate product information for price, quality, service, and features.   |
|  | C. Recognize deceptive or fraudulent sales practices.  |
|  | D. Identify payment methods.   |
|  | E. Analyze the costs and benefits of different payment options.  |
| Strand C<br>or 3.3                             | Alternative Goods and Services   |

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|                            | A. Evaluate substitutes when the price of goods or services exceeds your budget.   |
|                            | B. Compare the features, durability and maintenance costs of goods.  |
| Strand D<br>or 3.4         | Financial Institutions   |
|                            | A. Compare the services, service fees, and requirements of various financial institutions (bank, savings and loan, credit union.)  |
|                            | B. Demonstrate the ability to record deposits, withdrawals, debit transactions and maintain a bank balance.  |
|                            | C. Evaluate security measures for your chosen institution (FDIC, NCUA)   |
| <b>Standard IV. Saving</b> |  |
| Strand A<br>or 4.1         | Saving is the part of income that people choose to set aside for future uses. People save for different reasons during the course of their lives. People make different choices about how they save and how much they save. Time, interest rates, and inflation affect the value of savings. |
|                            | Reasons for Saving   |
|                            | A. Identify short, medium, and long-term savings goals (including saving for retirement and for post-secondary education and training)   |
|                            | B. Develop a savings plan  |
|                            | C. Recognize the importance of a rainy day fund for unexpected expenses.   |
|                            | D. Identify retirement saving options, such as 401(k), 403(b), Roth IRA, Roth 401(k), myRA.  |
| Strand B<br>or 4.2         | Interest on Savings  |
|                            | A. Compare simple and compound interest.   |

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|                                 | B. Use the rule of 72.  |
|                                 | C. Explain time value of money.   |
| Strand C<br>or 4.3              | Saving Instruments  |
|                                 | A. Identify saving instruments such as Certificate of Deposit, Savings Accounts, etc.   |
|                                 | B. Compare the liquidity, interest payment or penalty of various savings instruments.   |
| <b>Standard V. Using Credit</b> |   |
| Strand A<br>or 5.1              | Credit allows people to purchase goods and services that they can use today and pay for those goods and services in the future with interest. People choose among different credit options that have different costs. Lenders approve or deny applications for loans based on an evaluation of the borrower's past credit history and expected ability to pay in the future. Higher-risk borrowers are charged higher interest rates; lower-risk borrowers are charged lower interest rates. The responsibility for debt belongs to the borrower. |
|                                 | A. Recognize the difference between a credit and a debit account.   |
|                                 | B. Compare sources of consumer credit (e.g., credit cards, consumer loans, auto loans).   |
|                                 | C. Evaluate the options for financing higher education.   |
|                                 | D. Analyze the terms and conditions of credit cards and consumer loans.   |
|                                 | E. Explain a mortgage.  |
| Strand B<br>or 5.2              | Interest on Credit  |
|                                 | A. Compare the cost of credit using the Annual Percentage Rate (APR), initial fees  |

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|   | charged and fees for late or missed payment.   |
|   | B. Calculate the total purchase price including interest paid.   |
|   | C. Recognize the relationship between risk and interest. (e.g. credit worthiness, down payment)  |
|   | D. Differentiate between secured and unsecured loans.  |
| Strand C<br>or 5.3                          | Credit Worthiness  |
|   | A. Evaluate factors that affect creditworthiness such as paying on time, payment history.  |
|   | B. Explain the purpose and components of credit records, credit history as provided by credit bureaus.   |
|   | C. Propose ways to avoid or correct credit problems.   |
|   | D. Recognize that credit scores may be used by employers in hiring decisions, landlords when deciding to rent an apartment, and insurance companies in charging premiums.  |
|   | E. Evaluate a free copy of their credit report annually to verify that there are no errors that might affect their credit score.   |
|   | F. Recognize that there are consumer credit protection laws.   |
|   | G. Explain responsibilities associated with the use of credit.   |
| <b>Standard VI. Protecting and Insuring</b> |  |
|   | People make choices to protect themselves from the financial risk of lost income, assets, health, or identity. They can choose to accept risk, reduce risk, or share the risk with others. Insurance allows people to transfer risk by paying a fee now to avoid the possibility of a larger loss later. The price of insurance is influenced by an individual's |

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| Strand A<br>or 6.1 | circumstances and behavior.   |
|                    | Protecting Against Financial Risk by Insuring   |
|                    | A. Recognize that personal financial risk exists when unexpected events can damage health, income, property, wealth, or future opportunities  |
|                    | B. Explain that insurance companies analyze the outcomes of individuals who face similar types of risks to create insurance contracts (policies). By collecting a relatively small amount of money, called a premium, from each policyholder on a regular basis, the company creates a pool of funds to compensate those individuals who experience a large loss. |
|                    | C. Discuss why people choose different amounts of insurance coverage based on their willingness to accept risk, as well as, their occupation, lifestyle, age, financial profile, and the price of insurance.  |
|                    | D. Explain how people lower their insurance premiums by behaving in ways that show they pose a lower risk.  |
|                    | E. Analyze health insurance options that provides funds to pay for health care in the event of illness and may also pay for the cost of preventive care.  |
| Strand B<br>or 6.2 | Protecting Personal Identity  |
|                    | A. Explain that there are federal and state regulations that provide some remedies and assistance for identity theft.   |
|                    | B. Analyze how individuals can protect themselves when using social networking and other online activity from misuse of personal information and identity theft.  |

|  |  |
|--|--|
|  | C. Discuss current ways to counter cyber-attacks and protect personal information.   |
| <b>Standard VII. Financial Investing</b> |  |
| Strand A<br>or 7.1                       | Financial investment is the purchase of financial assets to increase income or wealth in the future. Investors must choose among investments that have different risks and expected rates of return. Investments with higher expected rates of return tend to have greater risk. Diversification of investment among a number of choices can lower investment risk.        |
|  | Investment Instruments   |
|  | A. Compare various financial assets for their risk and rewards including stocks, bonds, mutual funds, real estate, and commodities.  |
|  | B. Explain that people buy corporate stock ownership in a business because if the business is profitable, they will expect to receive income in the form of dividends and/or from the increase in the stock's value. The increase in the value of an asset is called a capital gain. If the business is not profitable, investors could lose the money they have invested. |
|  | C. Recognize the price of a financial asset is determined by the interaction of buyers and sellers in a financial market.  |
| Strand B<br>or 7.2                       | The Relationship between Risk and Reward   |
|  | A. Explain how the rate of return earned from investments will vary according to the amount of risk.   |
|  | B. Recognize buyers and sellers in financial markets determine prices of financial assets and therefore influence the rates of return on those assets.   |
|  | C. Explain how an investment with greater risk than another investment will commonly have a lower market price, and therefore a higher rate of return, than  |

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|  | the other investment.(penny stock)   |
|  | D. Differentiate the rate of return between shorter-term investments and longer-term investments.              |
|  | E. Describe how diversification by investing in different types of financial assets can lower investment risk. |



# Proposed Personal Finance Standards Work Group Report

June 13, 2017



# Work Group Members

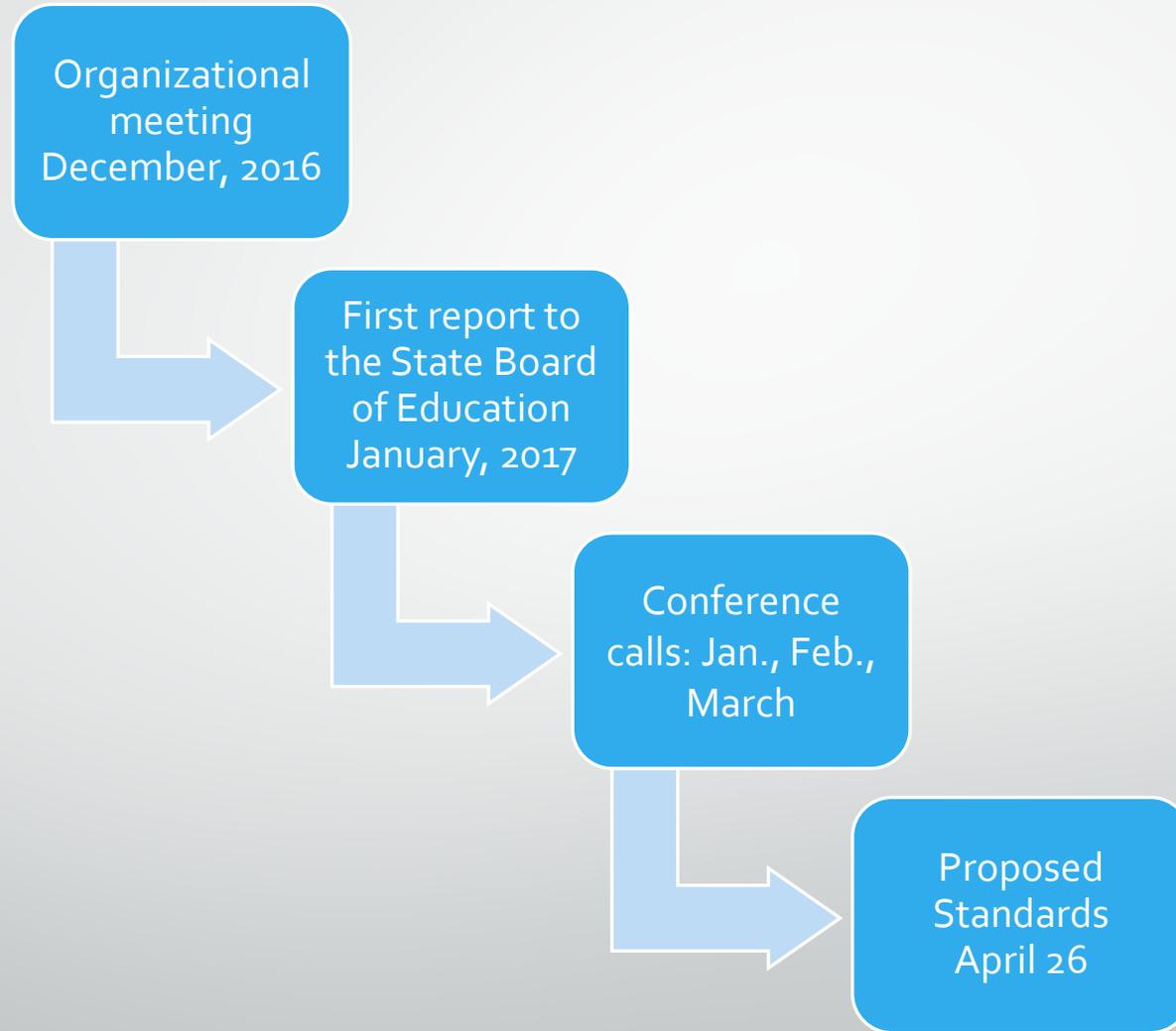
- Classroom Teachers
- District Administrators
- Higher Education
- Federal Reserve
- Business Professionals
- Parents

# Work Group Goal:

- Draft a set of standards for Personal Finance in Missouri
- Standards reflect high school expectations for students upon graduation



# Path to the Proposed Standards





Content



Themes

Proposed  
Standards



# Themes

- Financial Decision Making
- Earning Income
- Buying Goods and Services
- Saving
- Using Credit
- Protecting and Insuring
- Financial Investing

**Proposed Personal Finance Standards for  
Missouri**  
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## Standard II. Career Pathways

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|  | A. Evaluate substitutes when the price of goods or services exceeds your budget.   |

*III. Continued*

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#### *IV. Continued*

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| Strand B<br>or 7.2                       | The Relationship between Risk and Reward   |



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|  | D. Differentiate the rate of return between shorter-term investments and longer-term investments.  |
|  | E. Describe how diversification by investing in different types of financial assets can lower investment risk.   |

# What Else Will Help Students Become Financially Literate?





# Personal Finance Teacher

## A Missouri Personal Finance Teacher should have:

- the depth of knowledge and breadth of understanding to deliver:
    - *accurate,*
    - *informed,*
    - *high quality instruction*
- to students in the required high school course for graduation.



# Course Length

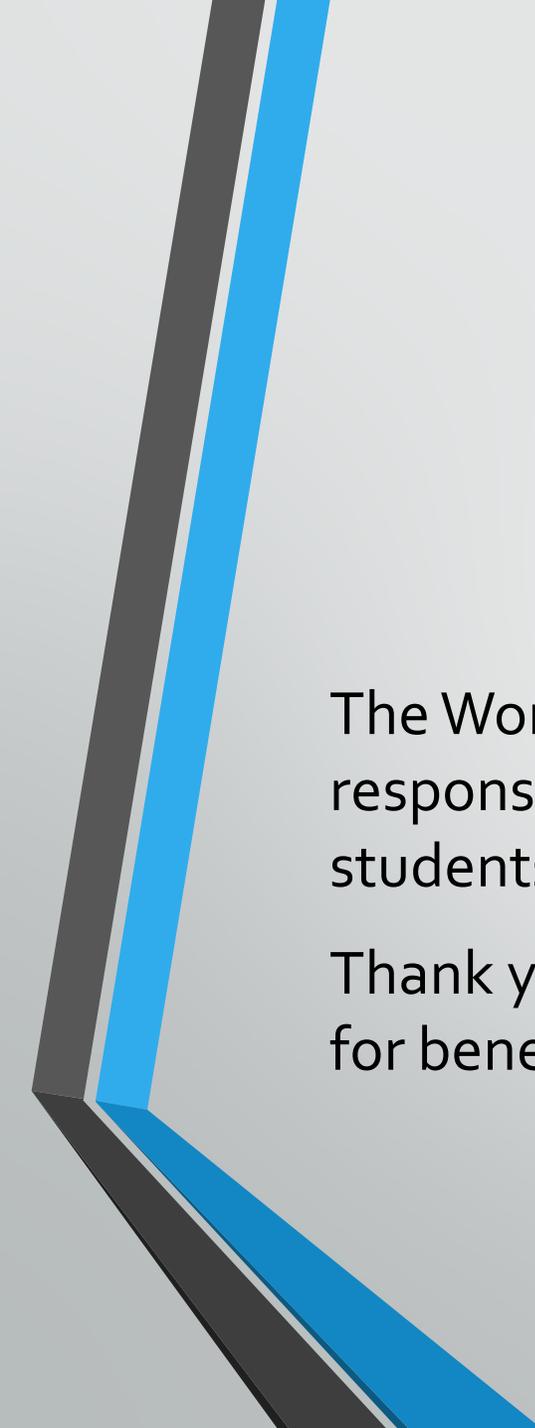
- A full year course would allow teachers to address the Personal Finance Standards (*which are minimal*)
  - *in more depth* and
  - *allow time for application* and
  - *critical thinking experiences*

which would help to increase retention of knowledge that relates to their own lives.



# Scaffolding

- Adopt benchmarks for elementary and middle school.
- Economic and personal finance concepts can be taught as early as preschool.
- Children of all ages should learn about work and how to earn income.
- Students should be taught to save early and often.



# Proposed Personal Finance Standards

The Work Group thanks the leaders in the state of Missouri for entrusting the responsibility to draft the first Personal Finance Standards for high school students.

Thank you to all those dedicated Work Group Members who served tirelessly for benefit of the students across the state.